



Investment Office

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

(916) 795-3400

October 17, 2005

AGENDA ITEM 8

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Supplemental Savings Programs Report
- II. PROGRAM:** Supplemental Savings Programs Division
- III. RECOMMENDATION:** Information only

IV. ANALYSIS:

Background

The Supplemental Savings Programs Division (SSPD) became part of the Investment Office effective July 1, 2005. Previously, SSPD had reported to the Member Services Branch. As such, its quarterly reports to the Board were part of the Benefits and Program Administration Committee agenda. This item represents the first report of SSPD to the Investment Committee.

SSPD manages three defined contribution programs and acts as liaison for management of an investment option for a fourth:

- The CalPERS 457 Program
- The Peace Officers' and Firefighters' Defined Contribution Program
- The Supplemental Contributions Program
- Savings Plus Program – S & P 500 Index Fund

The CalPERS 457 Program is a pre-tax 457 program that CalPERS offers to public agencies, school districts and special districts. Staff markets the program to these agencies, who must adopt it before it can be made available to the

agencies' employees. The program can be adopted by any public agency, regardless of whether they have the CalPERS defined benefit plan.

The Peace Officers' and Firefighters' Defined Contribution Program is an employer-paid 401(a) money purchase pension plan. The California Correctional Peace Officers' Association and the State of California negotiated for this plan (also known as POFF II) for correctional peace officers in Bargaining Unit #6 during the 1998/1999 fiscal year.

The Supplemental Contributions Program is an employee contribution only 401(a) money purchase pension plan, currently available to State employees.

CalPERS Investment Office staff manage an S&P 500 Equity Index Fund, which is an investment option available to State employees in the Savings Plus Program. CalPERS provides this fund through an interagency agreement with the Department of Personnel Administration.

Discussion

CalPERS 457 Program - During the second quarter ending June 30, 2005, the CalPERS 457 Program experienced a \$ 24.1 million (5.8%) net increase in assets. Continued participant contributions and transfers of assets into the program added to the program's increase in asset value for the quarter. Participation and new adoptions also increased. The number of participants grew by 565 (3%) and agency adoptions by 12 (2.3%).

The existing contract with CitiStreet, our third party administrator and business partner, expires on June 30, 2006. Staff is preparing a request for proposals for this contract, with a tentative scheduled release date of early November. It is staff's intent to bring forward our recommendations for contract award to the Committee at the February 2006 meeting.

Peace Officers' and Firefighters' Defined Contribution Plan - The POFF Plan assets grew 6.1% from last quarter, to \$236.8 million. The number of participants increased by 0.3%, to 34,922.

As a result of collective bargaining agreements reached between the State and the California Correctional Peace Officers Association representing Bargaining Unit #6, the 2% of base pay employer contribution to this plan has been suspended.

Supplemental Contributions Program - The SCP assets grew 1% from last quarter, to \$20.5 million. The number of participants decreased by 2 to 930, for a 0.2% decrease.

Savings Plus Program - In the Savings Plus Program, the S & P 500 Index Fund totaled \$823.9 million in assets under management as of June 30, 2005, representing an increase of \$4.5 million (0.5%) over the previous quarter.

V. STRATEGIC PLAN:

This item supports Goal V, by providing sustainable pension benefit products and services responsive to and valued by members, employers, and stakeholders.

VI. RESULTS/COSTS:

During the second quarter, the base of participants and assets in the public agency deferred compensation program grew significantly. New agency adoptions were up by 12 during the quarter. The distribution of assets remained the same as the previous quarter, with equity assets at 49.5%, fixed income assets at 28.6% and investment in the balanced funds at 21.9%.

- Number of Participants

Mar 31, 2005	18,890
<u>Jun 30, 2005</u>	<u>19,455</u>
Increase	565 (3.0%)

- Total of Assets

Mar 31, 2005	\$ 418,659,564
<u>Jun 30, 2005</u>	<u>442,760,085</u>
Increase	\$ 24,100,521 (5.8%)

- Number of agencies

Mar 31, 2005	512
<u>Jun 30, 2005</u>	<u>524</u>
Increase	12 (2.3%)

- Type of Agencies as of June 30, 2005:

Counties	18
Cities	83
Air Quality Management Districts	6
Cemetery District	10
Community Services Districts	22
Harbor Districts	5

Members of the Investment Committee

October 17, 2005

Page 4

Health Agencies	5
Housing Authorities	9
Insurance Groups	11
Irrigation/Reclamation Districts	8
Libraries	13
Mosquito Abatement District	6
Recreation Districts	8
Police & Fire Protection Districts	40
Resource Conservation Districts	7
Sanitation/Wastewater Districts	20
School Districts	112
Transportation Districts	18
Utility Districts	8
Water Districts	60
Other Agencies	55
Total	<hr/> 524

- Distribution of Assets:

Money Market Fund	5.7%
Stable Fixed Income Fund	14.8
Bond Fund	4.9
S & P 500 Fund	19.3
Active Large Cap	6.3
Active Small Cap	9.2
Russell 2000 Fund	6.6
International Fund	3.6
Conservative Asset Allocation	3.3
Moderate Asset Allocation	13.8
Aggressive Asset Allocation	4.7
FDIC Accounts	3.3
Self-Managed Account	4.5

Members of the Investment Committee

October 17, 2005

Page 5

Attachment 1 summarizes program information for the second quarter of 2005.

Attachment 2 depicts updated monthly figures for asset and participant growth for 2005.

Marty Walton
Program Manager
CalPERS 457 Program

Dave Mullins, Chief
Supplemental Savings Programs

Anne Stausboll
Assistant Executive Officer

Mark Anson
Chief Investment Officer